

The first serious credit crisis of which authentic details exist was that of 1763, when the inflated bubble blown by the Seven Years' War was pricked by the coming of peace. This crisis is of peculiar interest, because it was most severe at Amsterdam and Hamburg, where no paper currency was employed except the "bank money " issued against deposits of coin by the Bank of Amsterdam and the Bank of Hamburg. The next great crisis,—that of 1772,—fell upon England and Scotland in the midst of a period of remarkable industrial and inventive activity. The first act for the building of a canal in England was passed in 1755, and the next twenty-five years witnessed the construction of a network of canals more extensive than those of any other country except Holland. Brindley completed the canal from Worsley to Manchester in 1762 and Arkwright and Watt were at the same time developing their wonderful mechanical inventions.

The practice of drawing accommodation bills seems to have come into use in Scotland for the first time just before this crisis, although there is evidence that it had been practised earlier in England. A newspaper of the time contained a letter stating that " Banking companies had appeared in almost every corner of the Kingdom, and bills of exchange had been multiplied by a new method called Swivelling, without any solid transactions." ¹ Adam Smith alludes to " the well-known shift of drawing and redrawing," and says that " The practice of raising money in this manner had been long known in England, and during the course of the late war, when the high profits of trade afforded a great temptation to overtrading, is said to have been carried on to a very great extent."³ Professor MacLeod declares the system of accommodation bills to be " the curse and bane of commerce," and expresses the opinion that "it has been the great cause of those frightful commercial crises which seem periodically to recur." The English courts have decided, however, that a bill given for a consideration is a good bill

¹ *Public Advertiser*, July 8, 1772, quoted by MacLeod, II., 215. ³ *Wealth of Nations*, Book II., Ch. ii.